

Updated September 15, 2023

Ecuador: Country Overview and U.S. Relations

Ecuador is a small, ethnically and geographically diverse country of 18.3 million inhabitants located in South America between Colombia and Peru (see map, **Figure 1**). Members of Congress have expressed an interest in a broad range of issues related to Ecuador, including strengthening bilateral trade relations, combatting crime and drug trafficking, limiting Chinese influence, and protecting Ecuador's Amazon and Indigenous communities.

Snap Elections and Current Conditions

Conservative President Guillermo Lasso took office for a four-year term in May 2021. He sought to build on the market-friendly political and economic reforms of his predecessor, Lenin Moreno (2017-2021), who pursued closer ties with the United States. Lasso encountered strong resistance, including from the country's powerful Indigenous movements and a divided legislature.

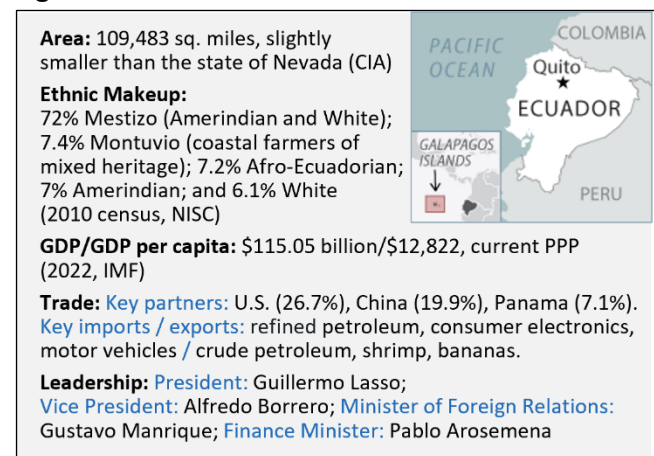
On May 17, 2023, facing an imminent impeachment vote, President Lasso invoked constitutional article 148, the so-called *cross death* decree, dissolving the National Assembly (Ecuador's unicameral legislature) and requiring snap general elections to elect a president and all 137 members of the Assembly to serve out remaining terms of office to 2025. Lasso did not seek reelection. The snap election was held on August 20, 2023. A new National Assembly is scheduled to be seated on December 8, 2023, and a new President is scheduled to take office December 11, 2023.

The presidential candidate from former leftist populist President Rafael Correa's Citizens' Revolution (RC by its Spanish acronym) party, Luisa González, came in first place in the eight-candidate field with 33.6% of the vote but fell short of the margin needed to avoid a runoff. Daniel Noboa of the pro-business National Democratic Action (ADN by its Spanish acronym) alliance placed second, with 23% of the vote, and will face González in a second-round runoff election scheduled for October 15, 2023. According to preliminary legislative election results, the RC gained the largest slate with 48 National Assembly seats. The Build Ecuador Movement, allied with assassinated anti-corruption presidential candidate Fernando Villavicencio, won 28 seats, followed by the Social Christian Party and the ADN with 14 seats and 13 seats, respectively.

About 30% of the prior National Assembly Members were returned to office, and Indigenous representation dropped significantly. Most analysts forecast a fragmented legislature. Ecuadorians also voted by large margins in national and regional referendums to halt oil and minerals extraction in two ecologically sensitive regions of the country, an outcome that could disrupt Ecuador's economic development model. The election was marred by the assassinations of Villavicencio and at least two other

political figures, killings allegedly carried out by organized crime groups.

Figure 1. Ecuador at a Glance



Sources: World Factbook (CIA), International Monetary Fund (IMF); Ecuador's National Institute of Statistics and Censuses (NISC); Trade Data Monitor (TDM).

Ecuador has seen a sharp rise in violence in the past three years attributed primarily to illicit drug trafficking and turf disputes between organized crime groups. Ecuador's neighbors, Colombia and Peru, are the world's two largest cocaine-producing countries. The homicide rate rose to nearly 26 per 100,000 persons in 2022, almost double the prior year and comparable to the homicide rates in Mexico and Colombia. High-fatality prison riots prompted the Lasso government to address poor conditions and gang rivalries in prisons. In April 2023, the Lasso government declared some Ecuadorian gangs to be terrorist organizations, allowing further military support for law enforcement efforts. Drug gangs are suspected of having assassinated the mayor of Manta, Ecuador's fourth-largest city, in July. In August 2023, following the Villavicencio assassination, President Lasso declared a national state of emergency. Insecurity is a top concern for Ecuador's electorate, according to most polls.

Political and Economic Background

During a decade in power (2007-2017), populist President Correa brought some stability to Ecuador's tumultuous political scene. He presided over a public investment-driven economic expansion, with growth averaging 5% annually between 2010 and 2014. Correa used that economic growth to increase social expenditures and reduce poverty. However, his policies left Ecuador with significant debt to China and more dependent on revenue from petroleum extraction. Correa also governed in an increasingly authoritarian manner, limiting civic freedoms and restricting judicial independence. In September 2020,

during the Moreno government, Ecuador's Supreme Court ratified a lower court ruling sentencing Correa in absentia to an 8-year prison term and a 25-year ban from returning to public office for bribery. Correa has lived in exile in Belgium since early 2020.

Lasso defeated Andrés Arauz, a Correa loyalist, in Ecuador's 2021 presidential election. However, Lasso's pro-business party won only 12 of 137 seats in the National Assembly, frustrating his goals of enacting a tax reform intended to promote growth, reducing import duties, building closer ties to the United States, and doubling oil production and mining concessions. Lasso struggled to advance his pro-business and fiscal stabilization agenda through the National Assembly, with his 24-seat pro-government voting bloc facing opposition from a 47-seat coalition linked to former President Correa. The Pachakutik party—affiliated with the country's main Indigenous organization, the Confederation of Ecuadorian Indigenous Nationalities (CONAIE by its Spanish acronym)—held 27 seats and acted as a swing voting bloc before ultimately broadening the opposition to Lasso's government.

Rising inflation associated with Russia's war in Ukraine and the government's withdrawal of fuel price subsidies prompted nearly three weeks of protests (led by CONAIE) in June 2022. The protests, at times violent, propelled the Correa-affiliated coalition in the National Assembly to attempt, unsuccessfully, to impeach Lasso in mid-2022. The protests ended when the Lasso government restored subsidies and suspended new oil and resource extraction projects in Indigenous territories, among other guarantees.

The impact of the Coronavirus Disease 2019 (COVID-19) pandemic and a crash in global oil prices drove Ecuador into a deep recession in 2020, when the economy contracted by nearly 8% and the poverty rate climbed to an estimated 33%. Under Lasso, the economy began to recover in 2021, with 4.2% growth, followed by an estimated 3% growth in 2022, driven in part by rising oil prices. The International Monetary Fund (IMF) projects 2.9% growth for 2023. Fiscal stability improved under Lasso, following efforts to reduce public spending and improve tax collection. In December 2022, Ecuador concluded an agreement with the IMF for the first time in two decades, gaining access to \$6.5 billion in financing.

U.S.-Ecuador Relations

Although the United States traditionally had close relations with Ecuador, former President Correa's populism and self-styled "anti-imperialist" policies increased friction. Among other actions, Correa shut down U.S. counterdrug operations at Manta Air Force Base in 2009 and expelled the U.S. ambassador in 2011. Closer bilateral relations resumed under President Moreno and continued under President Lasso. In June 2022, Lasso proposed a "Plan Ecuador" to advance U.S.-Ecuadorian cooperation in the fight against drug trafficking.

The United States-Ecuador Partnership Act of 2022 was signed into law by President Biden on December 23, 2022 as Title LV of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263). It includes measures for strengthening democratic governance

in Ecuador and increasing security cooperation and economic and commercial ties between the two countries.

The Biden Administration has expanded its security cooperation and assistance to Ecuador in response to the deteriorating security climate. At the July 2022 Conference of Defense Ministers of the Americas, Secretary of Defense Lloyd Austin III met with Ecuador's Minister of Defense, Luis Eduardo Lara Jaramillo, to discuss enhanced bilateral cooperation, including strengthening Ecuador's defense institutions. In mid-2023, the two countries launched the U.S.-Ecuador Defense Bilateral Working Group and signed a memorandum of understanding to strengthen the capabilities of the Ecuadorian armed forces. The Administration also has notified Congress of its intention to significantly scale up security assistance to Ecuador.

The Biden Administration's FY2024 congressional budget justification proposed \$45.7 million in bilateral foreign assistance for Ecuador. That total included \$27.0 million in Development Assistance to support government transparency, environmental protection, and sustainable economic development efforts. It also included \$13.3 million for International Narcotics Control and Law Enforcement programs and \$5.0 million in Foreign Military Financing. From 2017 through September 2023, according to the U.S. Agency for International Development, the United States will have provided \$240 million in assistance to help Ecuador address the needs of 500,000 Venezuelan migrants and refugees and their host communities.

U.S.-Ecuador merchandise trade totaled \$17.5 billion in 2022. According to the Central Bank of Ecuador, the United States remained Ecuador's largest trade partner. However, in 2022, China exceeded the United States in non-oil trade for the first time. The Lasso government advocated for a U.S.-Ecuador free trade agreement (FTA), building on a first-phase limited trade agreement signed in 2020. The Biden Administration has not indicated support for an FTA but has welcomed Ecuador's participation in the Americas Partnership for Economic Prosperity initiative, intended to increase regional competitiveness, strengthen supply chains, and promote inclusive growth. Ecuador announced FTA negotiations with China in 2022 and signed an agreement in May 2023 but has not ratified the agreement due to the legislature's closure.

Members of Congress have expressed concerns about the potential for further political violence in Ecuador ahead of the second-round presidential election in October 2023. Members also have expressed various views on aspects of the U.S.-Ecuador relationship. These include support for an FTA and concerns about China's economic engagement, significantly increased drug flows, and security (including maritime security). Ecuador's growing role in irregular migration is also an area of congressional concern, as are environmental damage and risks to Indigenous communities caused by oil extraction, illegal mining, and deforestation in fragile Amazon ecosystems. Some Members may have concerns about potential changes to U.S.-Ecuador security cooperation priorities with the new government scheduled to take office in December.

June S. Beittel, Analyst in Latin American Affairs

Ramon Miro, Analyst in Latin American Affairs

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.